

DPD-0846-60

#600

REPLY TO:
Auditor General
Comptroller, USAF
Eastern District
Liaison Office
P. O. Box 8155, S. W. Station
Washington, D. C.

29 January 1960

SUBJECT: Report on Final Property Audit
Lockheed Air Craft Corporation
Burbank, California
Contracts SP-1913, SP-1914, SP-1915

TO : Contracting Officer

REF. : (a) Audit Report #125 dated 25 April 58
Survey of Govt. Prop. Procedures
(b) CHAL-0359 dated 18 Oct. 58, Contractor's
Letter re: Property Accountability
(c) DPD-2826-59, Req. for Property Audit
(all except SP-1915, Sec. C)
(d) DPD-3312-59, Req. for Property Audit
(SP-1915, Sec. C)
(e) DPD-3227-59, Depot Shipments to LAC under
SP-1913 and SP-1915
(f) DPD-5475-59, GTP under SP-1914

1. Purpose of Examination: In compliance with references (c) and (d), an audit has been performed to determine whether the contractor has satisfactorily accounted for the receipt, consumption and disposal of Government property furnished or purchased under subject contracts, and whether the contractor's procedures and controls are adequate to enable compliance with applicable Government regulations.

2. Scope of Examination:

a. Contractor Acquired Production Materials: The receipt of purchased material was checked on a selective test basis by reference to receiving records. Consumption was verified through determination of quantitative requirements except in the case of Section "C", Contract No. SP-1915 materials, wherein the nature of the work precluded such action. Disposal was verified to the extent deemed appropriate by determining that shipping notices to Depot No. 1 bore the signatures of depot personnel receiving the material. The contractor did not submit a formal inventory of residual items but in lieu thereof submitted listings of such items on the aforementioned shipping notices to the depot where accountability was transferred.

b. Contractor Acquired Tooling and Equipment: The receipt of tooling and non-expendable (capital type) equipment purchased was verified on a selective test basis during the cost audit. With respect to disposal thereof, the contractor did not submit a formal inventory. In lieu thereof residual tooling was listed on shipping notices to the Depot, where accountability was set up (REF. b). To the extent deemed necessary, the auditor determined that the shippers bore the signatures of depot personnel receiving the material. In addition, the auditor traced the contractor's inventory of manufacturing aids and flight test equipment (REF. b) to stock records.

c. Government Furnished Property and Material: Receipt by the contractor of items, included in listings supplied by the Contracting Officer in REFS. (e) and (f), was verified by the auditor to the extent practicable based on records available but without having facsimile signatures on hand for comparison. As to Consumption and disposal, available records in most instances did not indicate either of these actions. However, the items contained in Schedule No. 2, attached to CHAL-0359 were traced to stock records and depot shippers, REF (e), were compared with the Contractor's copies.

3. Receipt and Acceptance of Contract Items: Advice has not been received from the contracting Officer as to details of contract items received and accepted; however, Forms DD250 covering all vehicles under Contracts SP-1913 and SP-1914 were scanned by the auditor.

4. Results of Examination:

a. Production Materials: Although the contractor did not maintain records in support of consumption of direct materials, the auditor was reasonably satisfied that the quantities were not excessive. This applies to all of the work under subject contracts except Section C, Contract No. SP-1915, wherein quantitative requirements could not be determined by the auditor due to the nature of the work.

b. Non-expendable Tooling and Equipment:

(1) As a result of the examination the contractor was requested to furnish to the Contracting Office (a) an inventory of tooling in possession of vendors having an original cost value of approximately \$100,000, and (b) an inventory of material residual to Section C, Contract No. SP-1915. The contractor's representative advised the auditor that both of these schedules would be submitted very soon.


(2) The examination also disclosed that a completely equipped house trailer, valued at \$7,300, purchased under Contract No. SP-1913 was not included on an accountable property record. When this matter was brought to the contractor's attention, a shipping notice was prepared and accountability at the depot was established.

(3) The Contractor did not submit a residual inventory of KIRKITE, lead and aluminum dies and punches. However, a complete listing of these items had been furnished to a previously assigned auditor in 1957, and the currently assigned auditor has traced same to the existing records. These metals, based on their weight (after allowance for dress loss of approximately 2%), are estimated by the auditor to have a value in excess of \$255,000 at approximate current market prices.

c. Government Furnished Property: No discrepancies were found by the auditor in the contractor's treatment of items included in the physical inventories of Government-furnished equipment and tooling as set forth in schedule No. 2 attached to CHAL-0359. However with respect to items furnished by the depot for installation in airplanes, issue data was not maintained. In most instances the only information available shows receipt by stores personnel or by a supervisor in the using group.

5. General: The auditor noted that the recommendations contained in audit report #125, dated 25 April 1958, on survey of property procedures, have now been substantially implemented by the contractor. The auditor has accordingly informed the contractor that henceforth any questions or deficiencies relating to the new projects will be presented for discussion as soon as they appear. Thus any deviations will be corrected at once instead of in retrospect.

6. Recommendations: It is the opinion of the auditors that the inventories submitted by the contractor under Ref. (b), plus items referred to in paragraph 4b above, represent reasonable residues under the subject contracts. In view of the vast amount of time and effort that would be required to reconstruct inventories from the incomplete data available, and because of the contractor's indicated efforts to submit the required inventories to the extent possible, it is recommended that the inventories be accepted subject to the receipt of the lists mentioned in paragraph 4b (1) above.


Audit Liaison Officer
Eastern District
Auditor General

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